



FLSA Overtime Calculation

Overview

Under the Fair Labor Standards Act (FLSA), employers are required to pay overtime at a special rate that reflects a non-exempt employee's average hourly rate within a given week. In M-Pathways, this special rate is called the FLSA rate.

While the M-Pathways system automatically calculates and applies the FLSA rate to overtime as appropriate, it is important to understand:

- When an employee is eligible to receive overtime pay at the FLSA rate.
- How M-Pathways calculates the FLSA rate and applies it to overtime.
- How to recognize and interpret FLSA overtime on the **Paycheck Earnings** page and/or employee pay stubs. Note: Because the FLSA rate is calculated in each week of a pay period, the employee may have a different overtime rate in each week of the pay period.

This document provides details about these topics.

Who Is Eligible to Receive Overtime at the FLSA Rate?

In order to be eligible for the FLSA rate, an employee must:

- hold a non-exempt position (eligible to receive overtime pay) and
- have an average hourly rate, in a given week, that is higher than his or her base rate.

When Would the Average Hourly Rate be Higher than the Base Rate?

There are a couple of situations that would cause the average hourly rate to be higher than the base rate:

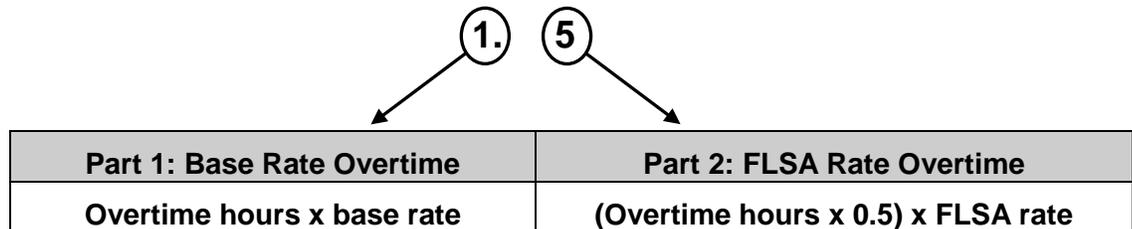
- When supplemental, "non-discretionary" payments are paid in addition to a biweekly employee's base pay, they create an average hourly rate higher than an employee's base rate. These supplemental payments include shift differential, on-call, and/or various bonuses.
 - Note: If a payment is made to a biweekly employee via the Additional Pay process, the FLSA calculation recognizes 50% of the payment in each week.
- When a biweekly employee has several different appointments at different rates of pay, the average hourly rate paid in that week may be higher than a certain appointment's hourly rate.

Conceptual Information About FLSA Overtime

In general, people tend to think of overtime as time and one half (1.5) times an employee's base rate. Using this concept, the standard equation for calculating overtime is:

$$(1.5 \times \text{base rate}) \times \text{overtime hours}$$

For the purposes of calculating and paying overtime at the FLSA rate, you must view overtime in a different way - as the sum of two separate parts, with each part calculated differently to reflect different rates. The following diagram illustrates this concept.



The sum of these two parts/calculations is the total amount paid for FLSA overtime. For example, if an employee works eight hours of FLSA eligible overtime, it is calculated as follows:

$$\text{Amount paid} = (8.0 \times \text{base rate}) + (4.0 \times \text{FLSA rate})$$

Understanding FLSA overtime as a two-part equation is critical to understanding how the FLSA rate is calculated and applied in M-Pathways.

How M-Pathways Calculates the FLSA Rate

For each week in a biweekly payroll, M-Pathways calculates FLSA rates for each non-exempt employee included in the payroll. The formula used to calculate the FLSA rate for each employee is:

$$\frac{\text{Total "amount-eligible" \$ from a given week}}{\text{Total "hour-eligible" hours worked in the week}}$$

The system determines which \$ amounts are “amount-eligible” and which hours are “hour-eligible” by looking at the FLSA Effect value associated with each earnings code reported for that week. The FLSA Effect value tells the system if \$ amounts and/or hours reported using a particular earnings code should be used in the FLSA rate calculation formula.

Each earnings code in the M-Pathways system is assigned one of the following FLSA Effect values:

FLSA Effect Value	FLSA Effect Value	Tells the system to:	Examples
A	Amounts Only	Use only the amounts associated with the earnings code to calculate the FLSA rate (not the hours). In essence, these earnings codes result in an inflated FLSA rate because they add \$ to an employee’s gross pay, but not hours.	<ul style="list-style-type: none"> • Shift differentials • Added duties differentials • Certain bonuses such as Unanticipated Needs and Float • On-call time
B	Both Amounts and Hours	Use both amounts and hours associated with the earnings code to calculate the FLSA rate.	<ul style="list-style-type: none"> • Regular time • Overtime • Holiday time • Leave time with pay
N	No FLSA Effect	Disregard amounts and hours associated with the earnings code when calculating the FLSA rate. Hours and amounts reported using these earnings codes are not used in the FLSA rate calculation.	<ul style="list-style-type: none"> • Leave time without pay • Paid time off buy out

For a list of earnings codes and their FLSA Effect values, run the MTL_FLSA_EFFECT_ON_TRCDS public query.

How M-Pathways Calculates the FLSA Rate (continued)

After determining which hours and amounts to include in the FLSA rate calculation, the system calculates the employee's FLSA rate for the week:

FLSA Rate =	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="background-color: #cccccc;">Total "amount-eligible" \$</th> </tr> <tr> <td style="padding: 5px;"> <ul style="list-style-type: none"> Earning amounts associated with earnings codes with a FLSA Effect value of Amounts Only or Both <p style="text-align: center; margin: 5px 0;">+</p> <ul style="list-style-type: none"> Overtime hours x base rate (if applicable) </td> </tr> </table>	Total "amount-eligible" \$	<ul style="list-style-type: none"> Earning amounts associated with earnings codes with a FLSA Effect value of Amounts Only or Both <p style="text-align: center; margin: 5px 0;">+</p> <ul style="list-style-type: none"> Overtime hours x base rate (if applicable) 	÷	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="background-color: #cccccc;">Total "hour-eligible" hours</th> </tr> <tr> <td style="padding: 5px;"> <ul style="list-style-type: none"> Hours associated with earnings codes with a FLSA Effect value of Both only </td> </tr> </table>	Total "hour-eligible" hours	<ul style="list-style-type: none"> Hours associated with earnings codes with a FLSA Effect value of Both only
Total "amount-eligible" \$							
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Total "hour-eligible" hours							
<ul style="list-style-type: none"> Hours associated with earnings codes with a FLSA Effect value of Both only 							

Note: Only the base rate (1.0) portion of FLSA overtime is amount-eligible for the purposes of calculating the FLSA rate. Therefore, when calculating the FLSA rate manually, be sure to include only overtime hours x base rate in the amount portion of the equation rather than total \$ earned for overtime.

In cases where no **Amounts Only** earnings codes are reported for an employee, the FLSA rate is the same as the employee's base rate. In cases where **Amounts Only** earnings codes are reported, the FLSA rate is higher than the employee's base rate.

How M-Pathways Applies the FLSA Rate to Overtime

Only certain earnings codes are eligible for payment using the FLSA formula. Currently the following earnings codes are eligible:

Earnings Code	Description
TOP	Temp Overtime 1.5
OTP	Overtime 1.5
OTT	OT 1.5 with PTO
HOY	Holiday 1.5 Rate
ECT	Emergency Closing-Overtime

This list can change over time. For a list of current earnings codes and their current FLSA Effect values, run the MTL_FLSA_EFFECT_ON_TRCDS public query.

When time is reported for an employee using a FLSA eligible earnings code, the system uses the FLSA overtime formula to calculate payment for the time:

$$(\text{Overtime hours} \times \text{base rate}) + (\text{Overtime hours} \times 0.5) \times \text{FLSA rate}$$

How to Recognize FLSA Overtime

If you see a FLSA-eligible earnings code(s) on the **Paycheck Earnings** page or an employee's pay stub, compare the rate associated with the earnings code row to the employee's FLSA rate. If the rate associated with the earnings code row is equal to the FLSA rate, the overtime was calculated using the FLSA formula.

The **OTP** row in the following screen shot illustrates this concept. Notice how the rate that displays in the **OTP** row is equal to the employee's FLSA rate. Note: Given that two different FLSA rates may be calculated in a pay period, there may be a row of earnings data for each week in the pay period.

Paycheck Earnings Page

NavBar > Navigator > Payroll for North America > Payroll Processing USA > Produce Payroll > **Review Paycheck**

Paycheck Earnings
Paycheck Taxes
Paycheck Deductions

EmplID: 12345678 **Name:** Pstrain32,Linda
Company: UOM **Pay Group:** BWC **Pay Period End:** 07/20/2002 **Page:** 1111 **Line:** 11 **Separate Check:**

Paycheck Information		Paycheck Totals	
Paycheck Status: Confirmed	Paycheck Option: Advice	Earnings:	1,295.22
Issue Date: 07/26/2002	Paycheck Number: 123456	Taxes:	312.17
<input type="checkbox"/> Off Cycle	<input type="checkbox"/> Reprint	Deductions:	139.14
<input type="checkbox"/> Adjustment	<input type="checkbox"/> Corrected	Net Pay:	843.91
<input type="checkbox"/> Cashed			

▼ Earnings Find | View All First 3 of 3 Last

Begin Date: 07/07/2002 **End Date:** 07/20/2002 **Add Line #:** 3 **Reason:** Not Specified

Employment Record Number: 0 **Benefit Record Number:** 0 **Original Paygroup:** BWC [Additional Data](#)

Salaried	Hourly	Overtime
Hours: 0.00	Hours: 0.00	Hours: 0.00
Rate: 22.700000	Rate: 0.000000	Rate: 0.000000
Earnings: 0.00	Earnings: 0.00	Earnings: 0.00
	Rate Code:	Rate Code:

Rate Used: FLSA Rate **Shift:** N/A **Shift Rate:** **FLSA Rate:** 24.951693
State: MI **Locality:**

Other Earnings Customize | Find | View All First 1-8 of 8 Last

Code	Description	Rate Used	Hours	Rate	Amount
OTP	Overtime 1.5	FLSA Rate	1.75	24.951693	61.56
OTR	Overtime 1.0	Hourly Rate	4.00	22.700000	90.80
REG	Regular	Hourly Rate	40.00	22.700000	908.00
S01	Shift Evening	Hourly Rate	20.00	1.000000	20.00
S02	Shift Night	Hourly Rate	24.00	1.250000	30.00
T01	Shift 1.5 Evening	Hourly Rate	0.75	1.500000	1.13
T02	Shift 1.5 Night	Hourly Rate	1.00	1.875000	1.88
UNC	Unanticipated Nds Bonus	Hourly Rate	5.00	10.000000	50.00

Unlike the **Paycheck Earnings** page, an employee's pay stub does not identify "FLSA Rate" as the rate used. On an employee's pay stub, the "Rate" value for overtime earnings reflects the actual overtime rate that M-Pathways calculated using the FLSA rate and overtime formula. Because the FLSA rate is calculated each week, an employee's pay stub may display two different overtime rates.

How to Interpret FLSA Overtime

It is easy to misinterpret FLSA overtime that displays on the **Paycheck Earnings** page because the base rate overtime (1.0) and FLSA rate overtime (0.5) are “lumped” together in a single row. Only one rate displays for the row even though the 1.0 and 0.5 parts of the overtime equation are calculated using different rates.

You can “dissect” a row of FLSA overtime data by applying the FLSA overtime formula presented earlier in this document. The following examples illustrate how to apply this formula to a row of overtime data from the **Paycheck Earnings** page in order to understand how the overtime was calculated.

Example 1

In this example, we dissect the **OTP** row in the following screen shot using the FLSA overtime formula.

Formula	(Overtime hours x base rate) + (Overtime hours x 0.5) x FLSA rate
Application	1.75 X \$22.70 = \$39.73 (1.75 x 0.5) x \$24.951693 = \$21.83

Amount Paid = \$39.73 + \$21.83 = \$61.56

The screenshot shows the 'Paycheck Earnings' page for employee Linda Pstrain32. It includes a 'Paycheck Information' section with status 'Confirmed' and issue date '07/26/2002'. Below this is an 'Earnings' section with a table of 'Other Earnings'. The 'Other Earnings' table has columns for Code, Description, Rate Used, Hours, Rate, and Amount. The row for 'OTP Overtime 1.5' is highlighted with a red box, showing 1.75 hours at a rate of 24.951693, resulting in an amount of 61.56. A red arrow points from the formula above to this row.

Code	Description	Rate Used	Hours	Rate	Amount
OTP	Overtime 1.5	FLSA Rate	1.75	24.951693	61.56
OTR	Overtime 1.0	Hourly Rate	4.00	22.700000	90.80
REG	Regular	Hourly Rate	40.00	22.700000	908.00
S01	Shift Evening	Hourly Rate	20.00	1.000000	20.00
S02	Shift Night	Hourly Rate	24.00	1.250000	30.00
T01	Shift 1.5 Evening	Hourly Rate	0.75	1.500000	1.13
T02	Shift 1.5 Night	Hourly Rate	1.00	1.875000	1.88
UNC	Unanticipated Nds Bonus	Hourly Rate	5.00	10.000000	50.00

How to Interpret FLSA Overtime (continued)

Example 2

The temporary employee in this example has multiple jobs at different rates of pay. As you can see, the FLSA rate is much higher than this job's base rate. This is due to the other temporary jobs being paid at higher base rates. The TOP (Temporary Overtime Premium) is dissected in the following screen shot.

Formula	(Overtime hours x base rate) + (Overtime hours x 0.5) x FLSA rate	
Application	6.5 X \$7.00 = \$45.50	(6.5 x 0.5) x \$15.353757 = \$49.90

Amount Paid = \$45.50 + \$49.90 = \$95.40

The screenshot displays a payroll system interface with the following sections:

- Paycheck Earnings** (selected), Paycheck Taxes, Paycheck Deductions
- EmpID: 87654321, Name: Pstrain23,Roger W
- Company: UOM, Pay Group: BWC, Pay Period End: 12/20/2003, Page: 0000, Line: 3, Separate Check:
- Paycheck Information**: Status: Confirmed, Option: Advice, Issue Date: 12/26/2003, Number: 123456. Includes checkboxes for Off Cycle, Reprint, Adjustment, Corrected, and Cashed.
- Paycheck Totals**: Earnings: 1,454.94, Taxes: 276.71, Deductions: 119.33, Net Pay: 1,058.90
- Earnings** section: Begin Date: 12/07/2003, End Date: 12/20/2003, Add Line #: 4, Reason: Not Specified. Includes Employment Record Number, Benefit Record Number, and Original Paygroup.
- Salaried**: Hours: 0.00, Rate: 7.000000, Earnings: 0.00
- Hourly**: Hours: 0.00, Rate: 0.000000, Earnings: 0.00, Rate Code:
- Overtime**: Hours: 0.00, Rate: 0.000000, Earnings: 0.00, Rate Code:
- Rate Used: FLSA Rate, Shift: N/A, Shift Rate: FLSA Rate: 15.353757, State: MI, Locality:
- Other Earnings** section with a table:

Code	Description	Rate Used	Hours	Rate	Amount
TOP	Temp Overtime 1.5	FLSA Rate	6.50	15.353757	95.40

Additional Resources

The MTL_FLSA_EFFECT_ON_TRCDS public query displays a list of time reporting codes (TRCs), the earnings code to which each TRC maps, and the FLSA Effect and FLSA Category assigned to each earnings code. You can use this query to:

- Determine the FLSA Effect value associated with a particular TRC/earnings code. This value tells you whether hours and/or amounts should be used in the FLSA rate calculation formula.
- Determine which TRCs/earnings codes are eligible for payment using the FLSA overtime formula.

We provided you with access to this query because the list can change over time as new TRCs/earnings codes are created/deleted and/or as FLSA Effect/Category values change. This query enables you to generate a current list whenever you need it. Descriptions of the fields applicable to timekeepers are provided below.

Field Descriptions for MTL_FLSA_EFFECT_ON_TRCDS Query

A	B	C	D	E	F	G	H			
Workgroup	TRC Program ID	TRCd	Earn Code	FLSA Effct	FLSA Cat.	Workgroup Eff Date	TRC Pgm Eff Date	TRCd Eff Date	Earn Code Eff Date	Status
AFSCME1	AFSCM	CAT	A51	N	X	02/16/2004	08/21/2008	01/01/1901	01/01/1901	A
AFSCME1	AFSCM	CBP	CBP	B	R	02/16/2004	08/21/2008	01/01/1901	01/01/1901	A
AFSCME1	AFSCM	ECA	ECA	B	R	02/16/2004	08/21/2008	01/01/1901	01/01/1901	A
AFSCME1	AFSCM	ECT	ECT	B	O	02/16/2004	08/21/2008	08/01/2004	08/01/2004	A

Note: This illustration only shows a small portion of the query results.

Letter	Report Field	Description
A	Workgroup	Displays the Workgroup.
B	TRCd	Displays the Time Reporting Code.
C	Earn Code	Displays the earnings code to which the TRC maps.
D	FLSA Effct	Displays the FLSA Effect value assigned to the earnings code. The three possible values are B (both), A (amounts only), and N (none). See page 3 for details about these values.
E	FLSA Cat.	Displays the FLSA Category assigned to the earnings code. The three possible values are X (excluded), R (regular), O (overtime). Only earnings codes with a FLSA Category of O (overtime) are eligible for payment using the FLSA overtime formula.
F	TRCd Eff Date	Displays the date on which the TRC was mapped to the earnings code. When a new TRC is mapped, the effective date is always 1901-01-01. When an existing mapping is changed, the actual date of the change is used.
G	Earn Code Eff Date	Displays the date on which the FLSA Effct and FLSA Cat values were assigned to the earnings code. When a new earnings code is created, 1901-01-01 is always used. When values for an existing earnings code are changed (e.g., the FLSA Effect or FLSA Cat), the actual date of the change is used.
H	Status	Displays A for active. This query only retrieves active earnings codes.

Additional Resources (continued)

Two documents that provide detailed information about this and other public queries are available on the My LINC website at <http://maislinc.umich.edu>.

- [Public Queries for Timekeepers – Support Material](#): Lists the public queries available to timekeepers, describes the results produced by each query, summarizes possible uses for each query, and identifies the input parameters required to run each query.
- [Run an Existing \(Public\) Query using Query Viewer – Step-By-Step Procedure](#): Describes how to identify and run a public query, and save the results to an Excel spreadsheet.

These documents, as well as other training documentation for timekeepers, are available in the following My LINC category path:

Catalog → Human Resource Management System → Time and Labor → Report Time – Departments/Units